

STATE INVESTMENT BOARD  
AUDIT COMMITTEE MEETING  
MINUTES OF THE  
NOVEMBER 20, 2014, MEETING

COMMITTEE MEMBERS PRESENT: Rebecca Dorwart, Chair  
Mike Gessner, TFFR Board/Liaison to the SIB  
Karol Riedman, Health Dept.  
Mike Sandal, PERS Board  
Cindy Ternes, Workforce Safety & Insurance

STAFF PRESENT: Connie Flanagan, Fiscal & Invt Op Mgr  
Bonnie Heit, Assistant to the Audit Committee  
David Hunter, Executive Director/CIO  
Fay Kopp, Deputy Executive Director/CRO  
Terra Miller Bowley, Suprv Audit Services  
Dottie Thorsen, Internal Auditor

GUESTS: Thomas Rey, CliftonLarsonAllen  
Ron Tolstad, Auditor's Office

CALL TO ORDER:

Ms. Dorwart called the State Investment Board (SIB) Audit Committee meeting to order at 3:00 p.m., on Thursday, November 20, 2014, at Workforce Safety & Insurance, 1600 East Century Ave., Bismarck, ND.

A quorum was present for the purpose of conducting business.

AGENDA:

IT WAS MOVED BY MS. TERNES AND SECONDED BY MR. SANDAL AND CARRIED ON A VOICE VOTE TO APPROVE THE AGENDA FOR THE NOVEMBER 20, 2014, MEETING AS DISTRIBUTED.

AYES: MR. SANDAL, MS. TERNES, MS. RIEDMAN, MR. GESSNER, AND MS. DORWART  
NAYS: NONE  
MOTION CARRIED

MINUTES:

IT WAS MOVED BY MR. GESSNER AND SECONDED BY MR. SANDAL AND CARRIED ON A VOICE VOTE TO APPROVE THE OCTOBER 24, 2014, MINUTES AS AMENDED.

AYES: MR. GESSNER, MR. SANDAL, MS. TERNES, MS. RIEDMAN, AND MS. DORWART  
NAYS: NONE  
MOTION CARRIED

**FINANCIAL AUDIT REPORT:**

CliftonLarsonAllen representative, Mr. Thomas Rey, reviewed the results of the financial audit report of the Retirement and Investment Office for the fiscal year ending June 30, 2014. CliftonLarsonAllen has issued an unmodified, clean opinion that the financial statements are presented fairly, in all material respects, in conformity with US Generally Accepted Accounting Principals.

Mr. Rey also fielded questions from the Audit Committee and staff regarding implementation of GASB 67 and 68 statements as they relate to the school districts reporting to the Teachers' Fund for Retirement and on a national level.

The Audit Committee thanked the RIO team for all of their excellent work on the financial audit report to achieve the unmodified, clean opinion from CliftonLarsonAllen.

**IT WAS MOVED BY MS. TERNES AND SECONDED BY MR. GESSNER AND CARRIED BY A VOICE VOTE TO ACCEPT THE FINANCIAL AUDIT REPORT FOR THE RETIREMENT AND INVESTMENT OFFICE FOR THE FISCAL YEAR ENDING JUNE 30, 2014.**

**AYES: MS. TERNES, MS. RIEDMAN, MR. SANDAL, MR. GESSNER, AND MS. DORWART**

**NAYS: NONE**

**MOTION CARRIED**

**REQUEST FOR PROPOSAL:**

The State Auditor's representative, Mr. Tolstad, reviewed the Request for Proposal (RFP) process the agency conducts when searching for an external auditing firm to conduct the financial audit of state entities. CliftonLarsonAllen has conducted the financial audit of the Retirement and Investment Office for the 2012, 2013, and 2014 fiscal years. Normally the contracts are issued for a three year period and an RFP is then issued. The State Auditor's Office has and will award the contract to a previous contract holder but prefers to limit awarding the contract to any one particular external auditing firm to six years.

The Audit Committee requested the evaluation/criteria and cost ratings be changed from 60/40 to 70/30 and applied as followings: Methodology 30 percent, Management Plan for the Audit 15 percent, Experience/Qualifications 25 percent, and cost 30 percent. Mr. Tolstad will review the request with his constituents and will let staff know.

The Audit Committee thanked Mr. Tolstad and the State Auditor's Office for all of their work and flexibility, while also adhering to State Procurement policies/procedures, in issuing the RFP on behalf of RIO. The Audit Committee also thanked Mr. Tolstad for his assistance in implementing the GASB 67/68 statements.



### **AUDIT ACTIVITIES REPORT:**

Ms. Miller Bowley updated the Audit Committee on Internal Audit activities for the period of July 1, 2014 through September 30, 2014.

School District Compliance Audit Reports - As of September 30, 2014, three audits were completed, two were in progress, and one not in compliance follow-up review was in progress.

Two school district audits scheduled to be audited will be delayed due to the GASB 68 TFFR Employer Census Data Audit by CliftonLarsonAllen. The Internal Audit Division has also been assisting CliftonLarsonAllen with their Census Data Audit.

File Maintenance Audit Report - Ms. Thorsen stated the audit was completed and there were no exceptions noted. Ms. Thorsen reviewed the table reports for all staff members, reviewed the transactions of the table reports of the IT staff, reviewed a refund account, and reviewed six member action forms on the CPAS system.

Also provided to the Audit Committee was an Internal Audit Division's budgeted hours report for the period of July 1, 2014 - June 30, 2015.

The Audit Committee was also provided a School District Audit Process/Status Report for the period of July 1, 2014 - June 30, 2015. Ms. Miller Bowley stated six additional school district audit notifications were sent out.

Upcoming quarter internal activities will include completing the not in compliance review. Staff will also be focusing on school district audits and the Executive Limitations Audit.

**IT WAS MOVED BY MS. TERNES AND SECONDED BY MR. SANDAL AND CARRIED BY A VOICE VOTE TO ACCEPT THE INTERNAL AUDIT ACTIVITIES REPORT FOR THE PERIOD OF JULY 1, 2014 THROUGH SEPTEMBER 30, 2014.**

**AYES: MR. GESSNER, MS. RIEDMAN, MR. SANDAL, MS. TERNES, AND MS. DORWART**

**NAYS: NONE**

**MOTION CARRIED**

### **EXECUTIVE LIMITATIONS ACTIVITIES:**

Executive Limitations Review - Ms. Miller Bowley updated the Audit Committee on the preliminary review of the Executive Limitations Audit. The Audit Committee was provided the preliminary results of the audit. A review of the Executive Director's level of compliance with the SIB Governance Manual Executive Limitation's policies/procedures was conducted. A full review will be completed in January 2015. Based on the preliminary review, the Audit Division is satisfied that the Executive Director is in compliance with the Executive Limitations policies.

The Audit Committee thanked Ms. Miller Bowley for all of her work on the preliminary Executive Limitations Audit. The report was completed in a short amount of time and was very thorough and detailed. This report will be distributed to the SIB at their November 21, 2014, meeting

IT WAS MOVED BY MR. SANDAL AND SECONDED BY MR. GESSNER AND CARRIED BY A VOICE VOTE TO ACCEPT THE PREMILARY RESULTS OF THE EXECUTIVE LIMITATIONS AUDIT.

AYES: MR. SANDAL, MS. TERNES, MS. RIEDMAN, MR. GESSNER, AND MS. DORWART

NAYS: NONE

MOTION CARRIED

OTHER:

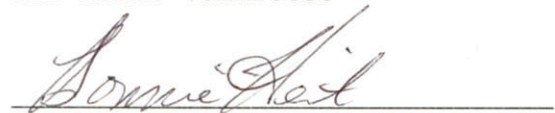
The next Audit Committee meeting is scheduled for February 27, 2015, at 1:00 p.m. at Workforce Safety & Insurance, 1600 East Century Avenue, Bismarck ND.

ADJOURNMENT:

With no further business to come before the Audit Committee, Ms. Dorwart adjourned the meeting at 5:03 p.m.

Respectfully Submitted:

  
Ms. Rebecca Dorwart, Chair  
SIB Audit Committee

  
Bonnie Heit  
Assistant to the Audit Committee